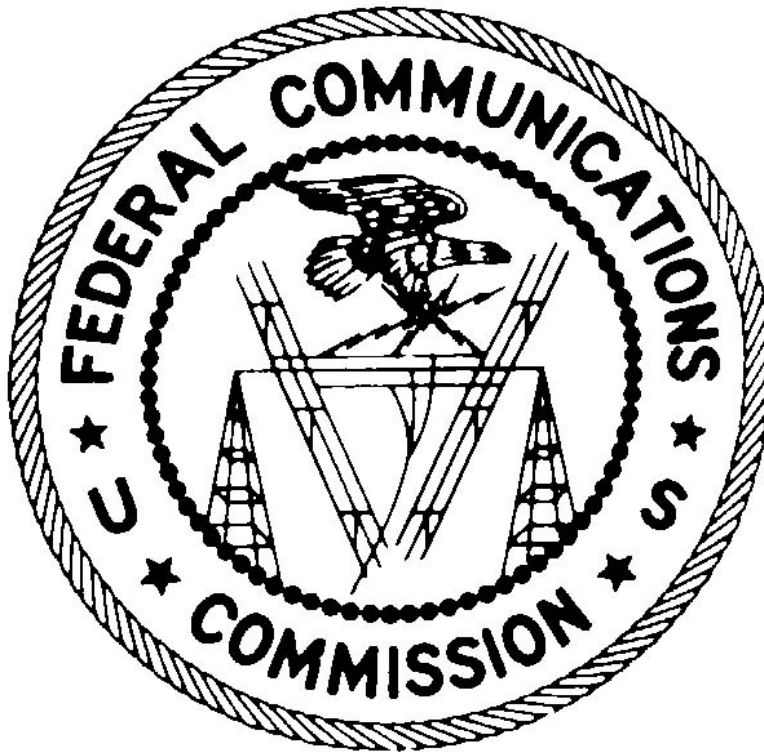


Federal Communications Commission Office of Inspector General



FY 2004 Audit Plan

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*H. Walker Feaster III
Inspector General*

*Thomas C. Cline
Assistant IG for Audits*

FY 2004 Audit Plan

Ongoing Audit Activity

1. Audit of Loan Portfolio and Related Activity
2. Audit of Financial Management of Auction Proceeds
3. Audit of the Commission's FY 2003 Financial Statements
4. Survey of Mellon Bank Lockbox Operations
5. FY 2003 FISMA Evaluation
6. Audits of the Physical Security of Commission Facilities
7. Audit of RAMIS Application Controls
8. Web Presence Follow-up Audit
9. Continuity of Operations/Disaster Recovery Plans Audit
10. Audits of Contractor Timekeeping Systems
11. Audits of Contractor Billing Systems
12. Survey of the Telecommuting Program
13. Risk Assessment for Human Capital Management
14. Audits of E-rate Beneficiaries
15. Survey of the Universal Service Fund (USF) High Cost Program
16. Audit Support for USF Investigations

Planned Audit Activity

1. Audit of the Commission's FY 2004 Financial Statements
2. Survey of the Telecommunications Development Fund (TDF)
3. FY 2004 FISMA Evaluation
4. Survey of Information Technology (IT) Purchases
5. Audit of the Commission's Transit Benefit Subsidy Program
6. Prompt Payment Audit
7. Survey of FCC Management Performance
8. NANPA & Numbering Pool Administration Software Audits
9. Audits of E-rate Beneficiaries

Unscheduled Audit Activity *

1. Microsoft Outlook Migration – Post Implementation review
2. Survey of Wireless Network Controls
3. Security of the FCC Network Infrastructure
4. Integrated Spectrum Auctions System Review
5. Security of the Loan Portfolio Management by Chase Bank
6. Audit of FCC Contracting and Purchasing Activities
7. Survey of FCC's Organization, Functions and Operations
8. Audits of Contractor Timekeeping Systems
9. Audits of Contractor Billing Systems
10. Audits of Contractor Incurred Costs
11. Audits of Equitable Adjustments
12. Survey of Cash Forecasting
13. Survey of Year-End Obligations
14. Field Inspection Program
15. Audit of Universal Service Fund Contributors

* Audits that will be scheduled and conducted based on the availability of funding/resources.

Ongoing Audit Activity

Audit of Loan Portfolio and Related Activity

The Commission has a loan portfolio comprised of approximately 2,000 installment payment plans. In recent years, the portfolio received increased scrutiny due to its materiality on the FCC's financial statements. To mitigate concerns regarding past contractor operations and to prepare auditable balances, the Commission contracted with a public accounting firm to review and recalculate loan balances since inception. Although this action resulted in significant changes to internal control, loan balances, and source documentation, several recent changes affect the internal control associated with FCC's loan activity. In FY 2000, FCC contracted with a loan service provider to manage and maintain its loan portfolio. In addition, FCC developed and partially implemented the Revenue Accounting and Management Information System (RAMIS), which is planned to become the system of record for FCC's loan activity in the future. During FY 2000, the Financial Operations office reorganized and reassigned responsibilities impacting the loan environment. The primary objective of the audit is to assess the transition of the portfolio from FCC to a loan service provider environment. Fieldwork on this audit was initiated in August 2001. We anticipate completion of this audit in the 2nd quarter of FY 2004. This audit has been delayed by the FCC's inability to transition the loan activities to Colson Services, which was only recently completed.

Audit of Financial Management of Auction Proceeds

The Omnibus Budget Reconciliation Act of 1993 amended the Communications Act of 1934 to give the FCC express authority to employ competitive bidding procedures to choose from among mutually exclusive applications for initial licenses. In addition to providing the Commission authority to auction licenses, the amendment gave the Commission the authority to receive reimbursement for the cost of implementing this means of allocating spectrum. The objective of this audit is to evaluate the possible duplication of operations performed within the Wireless Telecommunications Bureau (WTB) and the Office of the Managing Director (OMD). As part of the review, we intend to evaluate the need for two separate budget procedures, staff, and processes for preparing budget authorizations, and reporting the use of proceeds. The additional objective of this audit is to assess the effects, if any, of duplicating activities and functions. Fieldwork on this audit was initiated in August 2001. We anticipate completion of this audit in the 1st quarter of FY 2004.

Audit of the Commission's FY 2003 Financial Statement

This audit is conducted as required by the Accountability for Tax Dollars Act of 2002. The audit is important both internally to the Commission's operations and necessary in support of the audit of the Consolidated Financial Statements of the United States. Additionally, the Department of the Treasury requests agencies such as the FCC to annually verify financial data submissions recorded in the Federal Agencies' Centralized

Trial-Balance System II (FACTS) to its financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP).

The objective of this audit is to provide an opinion on the FY 2003 financial statements. With the assistance of an independent public accounting firm, the OIG audits the compiled annual financial statements in accordance with established Federal guidance. Follow-up procedures will address any identified material weaknesses and reportable conditions from the FY 2002 audit. Planning for this audit was initiated during the 1st quarter of this fiscal year. We anticipate issuing an audit report during the 1st quarter of FY 2004 as we progress to meet accelerated reporting time frames.

Survey of Mellon Bank Lockbox Operations

Mellon Bank conducts the FCC's lockbox function by collecting regulatory and application fees, International Telecommunications Settlements, and auction installment loan payments. The objectives of this survey is to observe the lockbox process and control environment, identify areas for improvement and determine if additional audit work needs to be performed in this area. We anticipate issuing our survey report in the first quarter of FY 2004.

FY 2003 FISMA Evaluation

The Federal Information System Management Act (FISMA) focuses on the program management, implementation, and evaluation aspects of agency security systems. FISMA replaced the Government Information Security Reform Act (GISRA) which expired in November 2002. A key provision of the FISMA requires that Inspectors General perform an annual independent evaluation of Agency information security programs. The objective of this independent evaluation is to examine the Commission's security program and practices for major applications. Fieldwork on this evaluation was initiated in July 2003. The information report requirement by the Office of Management and Budget (OMB) was issued on September 22, 2003. We anticipate issuing an audit report with findings and recommendations will be issued in the 1st quarter of FY 2004.

Audits of the Physical Security of Commission Facilities

We performed an audit of the physical security of the Commission's facility in Gettysburg, PA and issued a draft report on August 6, 2003. Commission management is reviewing the draft report. We anticipate issuing our final report on this audit in the first quarter of FY 2004.

Additionally, we have initiated an audit of Commission facilities other Headquarters. We anticipate issuing a report on that audit during the 3rd quarter of this fiscal year. We are currently evaluating the availability of funding to perform additional physical security audits this fiscal year.

Audit of RAMIS Application Controls

Initially, this review was to be a survey of RAMIS application controls. However, during the survey planning process, the OIG determined that a full scope audit should be performed. We performed this audit and issued our draft audit report for management comment on September 30, 2003. We anticipate issuing a final audit report in the first quarter of FY 2004.

Web Presence Follow-up Audit

This audit is to determine the status of findings identified in OIG's prior audit of this area (see Audit Report No. 00-AUD-01-10, Audit of Web Presence Security, dated June 13, 2001). Additionally, we will perform tests of the security posture of the FCC's web presence. This audit was initiated in September 2003 and we anticipate issuing an audit report during the 2nd quarter of FY 2004.

Continuity of Operations (COOP) and Disaster Recovery Plans (DRP) Audit

In the post 9-11 environment, contingency planning and business continuity are critical. In 2002, the FCC began to develop a contingency and business continuity plans. The objective of this audit is to determine the progress of FCC's contingency planning and business continuity program and determine if the FCC has a useable and viable program. This review will provide the Chairman with an independent and comprehensive analysis on the current posture of the FCC's contingency planning and business continuity program. The audit will assess and report on the progress and viability of the program. Specific recommendations, as warranted, will be developed to address any deficiencies identified during the conduct of audit fieldwork. This audit was initiated in September 2003 and we anticipate issuing an audit report during the 3rd quarter of FY 2004.

Audits of Contractor Timekeeping Systems

The objectives of these audits are to: (1) evaluate the adequacy and effectiveness of the contractor's internal controls and procedures to insure the reliability of employee time records, and (2) perform a physical observation of contractor work areas to determine that employees are actually at work, that they are performing in the assigned job classification, and that the time is charged to the appropriate job. To conduct these audits, the OIG establishes a purchase order under our interagency agreement with the Defense Contract Audit Agency (DCAA). We obtain these audits from DCAA as part of our ongoing effort to ensure that Commission contracts are properly administered and that deliverables are provided in compliance with contract specifications. Timekeeping system audits are in progress for the following contractors:

- Computech, Inc. Labor Charging Review
- Ernst & Young Labor Charging Review
- NeuStar, Inc. Labor Charging Review

Audits of Contractor Billing Systems

The objective of these audits is to examine the contractor's billing system to obtain reasonable assurance that billings applicable to government contracts are prepared in accordance with applicable laws and regulations, and contract terms; and that material misstatements are prevented, or detected and corrected in a timely manner. To conduct these reviews, the OIG establishes a purchase order under our interagency agreement with the Defense Contract Audit Agency (DCAA). We obtain these audits from DCAA as part of our ongoing effort to ensure that Commission contracts are properly administered and that deliverables are provided in compliance with contract specifications. Billing system audits are in progress for the following contractors:

- Vistrionix, Inc. Billing System Review
- Leads Corp. Billing System Review
- Ernst & Young Billing System Review

Survey of the Telecommuting Program

The objectives of this survey are to obtain an understanding of how the Commission's telecommuting program is meeting the needs of supervisors and managers, review program compliance with applicable laws and regulations and identify areas for improvement. This survey was initiated in July 2003 and we anticipate completing this assignment in the 1st quarter of FY 2004.

Risk Assessment for Human Capital Management

The objective of this risk assessment is to evaluate the FCC's implementation of the Human Capital Framework issued by the Office of Personnel Management (OPM). We will also determine the status of the FCC's human capital management to determine if additional audit work in the area is needed. This review was initiated in July 2003 and we anticipate issuing our report in the 1st quarter of FY 2004.

Audits of USF E-rate Beneficiaries

During calendar year 2002, we started twenty-nine (29) audits of E-Rate beneficiaries and service providers. Due to restrictions on available resources and several requests for support to criminal investigations, several of the audits that had been planned have been cancelled. Eight (8) of the audits that we initiated during calendar year 2002 have been completed and ten (10) of the audits are still in progress. We anticipate issuing these reports by the 2nd of FY 2004.

During FY 2003, we initiated eight (8) beneficiary audits under a Memorandum of Understanding (MOU) with the Department of the Interior (DOI) OIG. We anticipate issuing most of these reports during the 1st quarter of FY 2004 and the remainder during the 2nd quarter.

Survey of the Universal Service Fund (USF) High Cost Program

The USF High Cost program provides nearly \$1.9 billion in support to telecommunication carriers in high cost/rural service areas. The program has not been subjected to a comprehensive program of audit and oversight by this office. We initiated an audit survey of this program to identify areas of risk, potential vulnerabilities, and compliance with program requirements and regulations. The results of the survey will be used to design an oversight program to ensure the High Cost Program is not subject to fraud, waste and abuse. Fieldwork on this survey was initiated during the 1st quarter of FY 2003. We anticipate issuing a survey report during FY 2004. The timing of the survey report is dependent upon the USF workload.

Audit Support for USF Investigations

In addition to conducting audits, we are currently providing audit support to a number of investigations of E-Rate recipients and service providers. Our level of involvement in these investigations ranges from tracking and monitoring cases that are being investigated by state and local law enforcement to actively providing audit support to the FBI and Department of Justice (DOJ) investigators in the form of audits and limited scope reviews. We are actively supporting twenty-two (22) investigations and monitoring an additional thirteen (13) investigations.

Planned Audit Activity

Audit of the Commission's FY 2004 Financial Statement

This audit is conducted as required by the Accountability for Tax Dollars Act of 2002. The audit is important both internally to the Commission's operations and necessary in support of the audit of the Consolidated Financial Statements of the United States. Additionally, the Department of the Treasury requests agencies such as the FCC to annually verify financial data submissions recorded in the Federal Agencies' Centralized Trial-Balance System II (FACTS) to its financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP).

The objective of this audit is to provide an opinion on the FY 2004 financial statements. With the assistance of an independent public accounting firm, the OIG audits the compiled annual financial statements in accordance with established Federal guidance. Follow-up procedures will address any identified material weaknesses and reportable conditions from the FY 2003 audit.

Survey of the Telecommunications Development Fund

The OIG will conduct a survey of the operations of the Telecommunications Development Fund (TDF), its relationship to the Commission, and the Commission's compliance with certain laws and regulations as they relate to or extend to the TDF. The results of the survey will permit the OIG to determine if audit work is necessary relating to this topic.

FY 2004 FISMA Evaluation

The Federal Information System Management Act (FISMA) focuses on the program management, implementation, and evaluation aspects of agency security systems. FISMA replaced the Government Information Security Reform Act (GISRA) which expired in November 2002. A key provision of the Security Act requires that Inspectors General perform an annual independent evaluation of Agency information security programs. The objective of this independent evaluation is to examine the Commission's security program and practices for major applications. To accomplish this objective, we will test the effectiveness of security controls for an appropriate subset of the Commission's systems. In addition, we will use the Security Act assessment tool to evaluate the effectiveness of the Commission's information security program and assess risk for each component of the program.

Survey of Information Technology (IT) Purchases

On September 12, 2003, the OIG issued Report No. 02-AUD-03-12 entitled "Draft Report on Audit of Auctions Information Technology Capital Investment Practices." During this review, we found that the Commission is lacking formal, documented IT capital planning processes and procedures with defined criteria for the selection, control, and evaluation of investment, including software purchases. Field work performed during the IT capital

investment audit identified a number of possible duplicate software purchases. The objectives of this survey are to: (1) determine if duplicate IT purchases within the FCC exist; (2) document any duplicative costs that may exist; (3) evaluate FCC's IT purchasing strategy to assist in determining if the FCC is receiving the best price; and (4) determine if additional audit work needs to be conducted in this area.

Audit of the Commission's Transit Subsidy Program

The objective of the audit is to evaluate the Commission's Transit Subsidy Program to ensure that program controls are adequate to detect and prevent fraud, waste, and abuse. To accomplish the audit objective, the OIG will assess the policies and procedures issued by the Commission for the transit subsidy benefit program for compliance with applicable regulations and union agreements. In addition, we will test the internal controls the Commission has established to ensure compliance with the program requirements and test employee compliance with the program participation requirements. This audit was initially planned for FY 2002, but a lack of resources precluded our ability to complete the audit.

Prompt Payment Audit

The prompt payment audit will focus on the policies, procedures, and actual operation of reviewing, documenting, and paying invoices in compliance with the requirements of 5 CFR Part 1315 and contract terms and conditions. This review will also determine whether the Commission is paying interest on late payments in compliance with that CFR.

Survey of FCC Management Performance

Numerous initiatives are underway in the federal government to improve management performance and ensure agencies' are working towards results oriented goals. This survey will review the FCC's methodologies for developing, using and reporting on performance information to ensure the agency's management practices are geared toward optimum performance and mission-appropriate goals. The survey will be designed using several initiatives and requirements as guidelines for the review, to include the Government Performance and Results Act, the President's Management Agenda, and Performance Accountability Reporting.

NANPA & Number Pooling Administration Software Audits

The purpose of the North American Numbering Plan Administration (NANPA) and number pooling administration reviews is to examine each software package to determine whether NeuStar, Inc. complied with contract requirements to develop fully documented and portable software for each function. Because each software package is FCC property, an audit is necessary to insure that the NANPA and number pooling administration software is fully documented and that they can be moved to another (plug & play) with little or no disruption should another contractor win the NANPA and number pooling

contract when its recompeted. We have been informed that the Contracts and Purchasing Center will request this audit during FY 2004.

Audits of E-rate Beneficiaries

During FY 2004, we anticipate conducting audits of a statistically valid sample of E-rate beneficiaries. This audit will enable us to achieve both attribute and variable estimation results (i.e., both percentage and dollar value of improper payments identified during the audit process) with a high degree of confidence. In addition, we are planning to conduct three (3) audits under our MOU with DOI OIG.

Unscheduled Audit Activity

Microsoft Outlook Migration – Post Implementation Review

The Commission recently migrated to Microsoft Outlook (MS Outlook). This was a major Commission information technology initiative costing millions of dollars.

The objectives of this review are to: (1) assess the compliance of the MS Outlook project with the Commission's systems development life cycle (SDLC); (2) measure compliance with Federal capital investment regulations; (3) determine that the MS Outlook project has not experienced any significant cost overruns, unanticipated expenditures, and project delays; and, (4) establish if effective security controls have been integrated into the MS Outlook during the project.

This review will provide an independent and comprehensive analysis of the information the costs and benefits of the MS Outlook project. Also, this audit will supplement the OIG's plan to review Commission's SDLC and IT capital investment programs. Specific recommendations, as warranted, will be developed to address any internal control deficiencies identified during the conduct of audit fieldwork

Survey Of Wireless Network Controls

Wireless networking holds promise for more effective communications. However, if not configured correctly, a number of security problems can occur.

The objective of this survey is to determine the extent and effectiveness of security controls over the FCC's wireless network. We will evaluate the efficacy of wireless networking security controls, including a review of wireless security settings, controls over wardriving or drive-by hacking, use of encryption, identification of unauthorized wireless users and wireless intrusion detection.

This review will provide the Chairman with an independent and comprehensive analysis of the information security posture of the FCC's wireless network. The survey will assess and report upon the adequacy of internal controls over the network. Specific recommendations, as warranted, will be developed to address any internal control deficiencies identified during the conduct of audit fieldwork

Security Of The FCC Network Infrastructure

The FCC is dedicated to provide its employees, and customers with an up-to-date and secure network infrastructure. Based upon factors including the high visibility of network security problems, criticality of functions and significant financial investment in the automated systems, the OIG believes that audit of the security of the network infrastructure is warranted.

The objective of this audit will be to examine the Information Technology (IT) environment supporting the FCC's network infrastructure to ensure that the systems are adequately secured consistent with Federal regulations governing the management of critical information systems. The OIG will review major categories of general controls associated with the network security such as access controls, service continuity and security program planning and management. The scope of this audit will include the network infrastructure managed by the Office of Managing Director's Information Technology Center (ITC) and the Auctions and Industry Analysis Division of the Wireless Telecommunications Bureau.

The audit will assess and report upon the adequacy of internal controls over the network infrastructure maintained by the FCC. Specific recommendations, as warranted, will be developed to address any internal control deficiencies identified during the conduct of audit fieldwork.

Integrated Spectrum Auctions System Review

The Integrated Spectrum Auctions System (IFAS) is planned to be the replacement for the Automated Auctions System (AAS). Automation of spectrum auctions is a critical activity at the FCC.

The objectives of this review are to: (1) monitor and assess compliance of IFAS with the Commission's systems development life cycle (SDLC); (2) establish if effective security controls have been built into IFAS; (3) measure compliance with Federal capital investment regulations; (4) determine that IFAS project has not experienced any significant cost overruns, unanticipated expenditures, and project delays

This review will provide an independent and comprehensive analysis of the information of the progress of IFAS. Specific recommendations, as warranted, will be developed to address any internal control deficiencies identified during the conduct of audit fieldwork

Security of the Loan Portfolio Management By Chase Bank

The management of FCC's loan portfolio is moved to Chase Bank. This review will provide an independent and comprehensive analysis of the posture of the security at the company managing the FCC's loan portfolio. The audit will assess and report upon the adequacy of internal controls. Specific recommendations, as warranted, will be developed to address any internal control deficiencies identified during the conduct of audit fieldwork

Audit of FCC Contracting and Purchasing Activities

The purpose of the audit is to determine if the Commission properly procured goods and services and disbursed funds in accordance with Federal purchasing requirements and its own procurement policies and procedures. Primary audit objectives will include determining whether the Commission solicited, awarded and administered contracts in accordance with Federal and Commission requirements; insured that expenditures were

reasonable and necessary; insured purchases were under contract when warranted; and structured and organized its purchasing and contract funding functions efficiently.

Survey of FCC's Organization, Functions, and Operations

The purpose of this review is to obtain an overall assessment of the FCC's organization, functions, and operations. Some of the high level management issues that will be addressed will include 1) Mission vs. operations – Is the FCC's mission integrated throughout its structure as reflected by its goals, objectives, operations, and standards? 2) Organizational structure vs. purpose – Is the FCC structured to enhance effectiveness and efficiency? 3) Policies vs. practices – Do operational practices reflect stated policies, or have practices become informal policies? 4) Planning vs. goal achievement – Are results tied and tracked to the goals identified in the FCC's plan?

Audits of Contractor Timekeeping Systems

The risks associated with the accurate recording, distribution, and payment of labor are almost always significant, primarily because labor costs are usually the most significant costs charged on government contracts and contractor personnel have complete control over their time cards or other timekeeping documents. To address this and other contract related areas, the OIG establishes purchase orders under our interagency agreement with the Defense Contract Audit Agency (DCAA). We obtain these audits from DCAA as part of our ongoing effort to ensure that Commission contracts are properly administered and that deliverables are provided in compliance with contract specifications.

Audits of Contractor Billing Systems

The Commission frequently establishes time and materials (T&M) contracts to obtain a variety of support services including financial management and information systems development support. To address this and other contract-related areas, OIG establishes purchase orders under our interagency agreement with the Defense Contract Audit Agency (DCAA). We obtain these audits from DCAA as part of our ongoing effort to ensure that Commission contracts are properly administered and that deliverables are provided in compliance with contract specifications. The objective of contractor billing system reviews is to evaluate the adequacy of contractor billing system internal controls and to evaluate contractor compliance with these internal controls. The additional objective is to assess control risk to determine the degree of reliance that we can place on the contractors' accounting and management systems and related internal controls as a basis for planning the scope of other related audits.

Audits of Contractor Incurred Costs

The Commission frequently establishes time and materials (T&M) contracts to obtain a variety of support services including financial management and information systems development support. Time and Material contracts tend to be multi-year contracts and, as

a result, few of these contracts have been formally closed out. To conduct these audits, the OIG establishes purchase orders under our interagency agreement with the Defense Contract Audit Agency (DCAA). We obtain these audits from DCAA as part of our ongoing effort to ensure that Commission contracts are properly administered and that deliverables are provided in compliance with contract specifications. The primary objective of an incurred cost audit is to examine a contractor's cost representations and express an opinion as to whether such incurred costs are reasonable; applicable to the contract; and not prohibited by the contract, statute or regulation, or by decision of or agreement with the contracting officer. Incurred cost audits are performed at the request of the Commission's Contracts and Purchasing Center.

Audits of Equitable Adjustments

Equitable price adjustments result from changes made by the contracting officer that are within the general scope of the contract. When these changes cause an increase or decrease in the contractor's costs or the period of performance, there is an equitable adjustment in the contract price and the contract is modified. Audits of equitable adjustment proposals or claims are necessary in order to assist the contracting officer with negotiating a fair and equitable price adjustment to the contract. The objective of an equitable adjustment audit is to determine whether a contractor's books and records support each element of its proposal or claim and that the costs are acceptable as a basis for negotiations. Equitable Adjustment audits are performed by DCAA at the request of the Commission's Contracts and Purchasing Center.

Survey of Cash Forecasting

During FY 2000, the Department of the Treasury requested that the Commission comply with cash forecasting requirements. The objective of this survey is to assess Commission compliance with the Department of the Treasury cash forecasting requirements. The objective of our survey is to determine FCC's compliance with Federal cash forecasting requirements. The results of the survey will permit the OIG to determine if audit work is necessary relating to this topic.

Survey of Year-End Obligations

Year-end spending has been a long standing area of concern for agencies of the Federal government. The objectives of this survey are to evaluate internal controls relating to funding obligation/deobligation, review Commission managers compliance with these controls, and review the Commissions performance metrics relating to obligation/deobligation. The results of the survey will permit the OIG to determine if audit work is necessary relating to this topic.

Field Inspection Program

In 1994, the OIG established a field inspection program (FIP). The objective of the inspection program is to provide an independent and impartial perspective to FCC

management of field operations. The inspection team strives to identify such things as impediments to operational effectiveness, best practices that can be exported field wide, and ideas to facilitate overall FCC mission accomplishment. Since its inception, the OIG has completed a series of three FIP reviews. Each inspection cycle has resulted in specific findings that were recognized by management. Independent and thoughtful examination and analysis by OIG staff can result in the identification of specific practices or operations that can provide benefit to the field and Commission as a whole. After each review, the OIG present the Commission with feedback as to the operational impact of the FCC reorganization. In FY 2004, OIG will reassess the tools and criteria used to conduct field inspections and develop new procedures for planning and conducting these reviews.

Audit of Universal Service Fund Contributors

The USF is funded by contributions from telecommunications companies in the United States. These companies are required to pay a specific percentage of their revenues from interstate and international revenues – the contribution factor – into the USF. The contribution factor changes quarterly depending on the needs of the USF and the consumers it is designed to help. Because the contribution factor increases or decreases depending upon the projected needs of the USF, the amount owed by each telecommunications company will change accordingly. The objective of contributor audits is to verify that those telecommunications companies selected for audit are contributing to the USF in accordance with program rules.